

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 CIEP-01 TRSE-00 STR-01 OMB-01 CEA-01

COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 /086 W  
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R 072011Z MAR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9075

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03589

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: XGDS-1

TAGS: EFIN, CI, UK

SUBJECT: CHILE DEBT RESCHEDULING

REF: STATE 45567; STATE 47776; LONDON 3413

SUMMARY: LENGTHY ELABORATION OF U.S. VIEWS WILL BE SENT  
TO CHANCELLOR, U.S. DEMARCHE WELCOMED BY THOSE IN HMG  
WHO

SHARE U.S. VIEWS, AND MAY BE HELPFUL IN KEEPING LABOUR  
PARTY VIEWS ON CHILE FROM SURFACING IN IBRD/IMF. END  
SUMMARY.

1. FINANCIAL ATTACHES HELD DISCUSSIONS WITH HESTER BOOTH-  
ROYD, UNDER SECRETARY, H.M. T. AND JOAN KELLEY, ASSISTANT  
SECRETARY, H.M.T. AND DEREK SMITH, UNDER SECRETARY, ECGD,  
ON THE POINTS OUTLINED IN REFTELS. EMPHASIZING THE USG'S  
REGRET OVER THE U.K. DECISION NOT TO PARTICIPATE IN THE  
MARCH PARIS CLUB MEETING TO CONSIDER RESCHEDULING OF  
CHILE'S 1975 EXTERNAL PUBLIC DEBT, WE NOTED FOR HMT'S IN-  
FORMATION THAT SIMILAR APPROACHES WERE BEING MADE TO  
OTHER PARIS CLUB MEMBERS AND EMPHASIZED OUR CONCERN THAT  
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POLITICAL ISSUES SHOULD NOT BE BROUGHT INTO DISCUSSIONS

WHICH HERETOFORE HAD BEEN PURELY ECONOMIC AND FINANCIAL IN NATURE. REACTIONS CONFIRMED OUR EARLIER IMPRESSION THAT HMT STAFF HAD CONTINUALLY ARGUED ALONG LINES SIMILAR TO U.S. POSITION BUT THE DECISION HAD BEEN TAKEN AT HIGH POLITICAL LEVEL AND OBVIOUSLY FOR POLITICAL REASONS.

2. WE ELABORATED FULLY ON PARAS 2-4 OF STATE 47776 AND PARAS 2-4 OF STATE 45567, IN ORDER THAT SENIOR LEVELS IN HMG SHOULD HAVE NO DOUBT CONCERNING SERIOUSNESS OF U.S. VIEWS. U.K. PARTICIPANTS TOOK FULL NOTES, SAID THEY WOULD SEND DETAILED MINUTES DIRECTLY TO CHANCELLOR HEALEY. U.K. PARTICIPANTS OBVIOUSLY EMBARRASSED, WE BELIEVE THAT THEY FULLY SHARE AND SUPPORT U.S. VIEWS, BUT AS CIVIL SERVANTS HAVE TO BE DISCREET IN EXPLAINING POSITION TAKEN BY GOVERNMENT MINISTERS. THEY HAD ONLY LEARNED OF U.K. POSITION NIGHT BEFORE IT WAS ANNOUNCED. THEY HOPE TO USE MINUTES THEY WILL PREPARE FOR CHANCELLOR AS BASIS FOR GIVING US A MORE FORMAL RESPONSE (I.E., PROBABLY APPROVED BY HEALEY) IN THE FUTURE.

3. OFFICIALS STATED THAT THEY STRONGLY BELIEVE THERE IS LITTLE CHANCE FOR REVERSAL OF THE U.K. DECISION NOT TO ATTEND THE MARCH PARIS CLUB MEETING BUT THE CHANCELLOR HAS NOT CLOSED THE DOOR PERMANENTLY ON THIS ISSUE. IF DURING THE COMING MONTHS CHILE IMPROVES ITS STAND ON HUMAN RIGHTS THEN THERE IS POSSIBILITY THE U.K. WILL RESUME RESCHEDULING NEGOTIATIONS. (THIS POSITION WAS ALSO STATED IN EARLIER DISCUSSIONS AT FCO.)

4. OFFICIALS STATED IN CONFIDENCE THAT THEY FEARED THAT THE U.K. DECISION COULD PROVE TO BE COUNTER-PRODUCTIVE OVER A WIDER FIELD THAN THE EFFECTS OF THE ACTUAL DECISION ITSELF AND COULD HAVE SHARPLY NEGATIVE IMPACT ON U.K. TRADE WITH CHILE. THEY BELIEVE THE IMMEDIATE EFFECT WILL BE THAT CHILE WILL DEFAULT ON ITS CURRENT LOAN OBLIGATIONS TO THE U.K. BUT DO NOT FEEL THAT THE U.K.'S DECISION WILL BE DETRIMENTAL TO OTHER CREDITORS THAT PROCEED WITH THE NEGOTIATIONS.

5. FINANCIAL ATTACHE ASKED IF U.K. VIEWS ON CHILE WOULD  
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BE REFLECTED IN OTHER INTERNATIONAL FINANCIAL AREAS. U.K. TREASURY OFFICIALS REPLIED THAT FIRM U.K. POSITIONS HAVE NOT YET BEEN DECIDED ON CONCERNING CURRENT IMF STANDBY REQUEST AND IBRD LOAN UNDER CONSIDERATION. HOPEFULLY, DECISIONS ON THESE WOULD BE TAKEN ON ECONOMIC GROUNDS, ON WHICH THERE IS NO BASIS TO OPPOSE THEM. THIS WON'T MAKE ANY DIFFERENCE TO LEFT WINGERS IN LABOUR PARTY WHO ARE AWARE OF FORTHCOMING IBRD/IMF DECISIONS ON CHILE, BUT

CHANCELLOR AND GOVERNOR OF BANK OF ENGLAND SHOULD HAVE THE

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 03589

LAST WORD, WHICH SHOULD BE FAVORABLE. FINANCIAL ATTACHE, SPEAKING PERSONALLY, SAID HE ASSUMED U.S. REACTION TO INTERJECTION OF LEFT WING LABOUR PARTY POLITICAL VIEWS ON CHILE INTO THESE ORGANIZATIONS WOULD BE EVEN SHARPER THAN U.S. VIEWS ON U.K. FAILURE TO PARTICIPATE IN CHILE DEBT RESCHEDULING, ASKED THAT MINUTES BEING PREPARED FOR CHANCELLOR TAKE NOTE OF THESE VIEWS AND REQUEST PRIOR CONSULTATION WITH U.S. IF IT SHOULD APPEAR LIKELY THAT U.K. WOULD PLAN TO OPPOSE IMF STANDBY OR IBRD LOAN.

6. CONCERNING NETHERLANDS MARCH 7 MEETING ON CHILE DEBT, OFFICIALS SAID U.K. DID NOT PROPOSE IT, WOULD PROBABLY BE REPRESENTED BY U.K. EMBASSY IN THE HAGUE.

7. COMMENT: THE PARLIAMENTARY RESPONSE BY CHANCELLOR HEALEY THAT ANNOUNCED U.K. DECISION (LONDON 3088) WAS WRITTEN. IN REPLY TO OUR QUESTION HMG CAREER OFFICIALS ACKNOWLEDGE THAT HAD THERE BEEN AN ORAL RATHER THAN WRITTEN RESPONSE, THERE MIGHT HAVE BEEN AN UPROAR, FROM OPPO-

SITION, WITH CONSERVATIVE BENCHES NOTING INCONGRUITY IF  
NOT HYPOCRISY BETWEEN LABOUR'S POSITION ON CHILE AND PRO-  
VISION ONE WEEK EARLIER OF 950 MILLION POUNDS OF EX-  
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PORT CREDITS TO RUSSIA.

8. SOURCES IN H.M. TREASURY AND ELSEWHERE IN U.K. GOVERN-  
MENT POINT OUT PROMINENT EMOTIONAL ROLE BEING PLAYED BY  
JUDITH HART, MINISTER FOR OVERSEAS DEVELOPMENT, CITING  
HART'S PERSONAL FRIENDSHIP WITH MRS. ALLENDE, AND MRS.  
HART'S SON'S LEADERSHIP ROLE IN U.K.-CHILE SOLIDARITY  
GROUPS. SAME SOURCES ALSO CITE REMAINING BITTERNESS IN  
LEFT WING OF LABOUR PARTY INCLUDING POLITICAL ADVISORS TO  
SOME MINISTERS, AND AMONG SOME TRADE UNIONISTS OVER COL-  
LAPSE OF ALLENDE'S SOCIALISTIC REVOLUTION IN A CAPITALIS-  
TIC COUNTRY; RIGHTLY OR WRONGLY, THEY BLAME U.S., CIA, AND  
MULTINATIONAL COMPANIES FOR ALLENDE'S DOWNFALL AND OB-  
JECTIVE ECONOMIC ARGUMENTS ARE OF NO USE WITH THESE TYPES.  
ON THE OTHER HAND, OUR SOURCES INDICATE THAT U.S.  
DEMARCHES, INCLUDING CONTINUING PRESSURE, WILL BE HELPFUL  
TO THOSE IN LABOUR PARTY AND IN GOVERNMENT SERVICE WHO  
MAY SHARE U.S. VIEWS, WOULD LIKE EVENTUALLY TO HAVE CHILE  
DEBT RESCHEDULING DECISION RESCINDED, AND WHO WOULD LIKE  
TO AVOID ISSUE SPREADING TO IMF AND IBRD.

9. PLEASE TREAT AS NOFORN. DEPARTMENT PLEASE PASS OTHER  
POSTS ONLY IF CONSIDERED ABSOLUTELY NECESSARY.

RICHARDSON

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## Message Attributes

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